

Message Text

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PAGE 01 CAIRO 09127 231433Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----103280 240246Z /75

R 231421Z MAR 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7070
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
SECDEF WASH DC

C O N F I D E N T I A L CAIRO 09127

EXDIS

E.O. 11652: GDS
TAGS: MASS, EG, SA, TC, KU
SUBJECT: FUNDING OF F-5'S FOR EGYPT

REF: (A) STATE 68709, (B) STATE 70143 (REPEATING
- 77 STATE 195932, (C) CAIRO 8784

1. WE HAVE GIVEN CONSIDERABLE THOUGHT TO BEST WAY OF
ARRANGING FUNDING FOR F-5E'S FOR EGYPT AS REQUESTED
PARA 10, REF A. WE HAVE ALSO SOUGHT TO SOUND OUT
EGYPTIANS AS TO HOW THEY BELIEVE PAYMENT WILL BE MADE.
MOST EGYPTIAN OFFICERS TO WHOM WE HAVE SPOKEN STATE
THEY ARE UNINSTRUCTED ON FUNDING ASPECT. WE KNOW,
HOWEVER, THAT GAMASY HOPES TO MEET WITH SADAT ON
SATURDAY TO BRIEF HIM ON FUNDING REQUIREMENTS FOR F-5E'S,
RPV'S AND SOME OTHER UNIDENTIFIED EQUIPMENT FOR WHICH
FUNDING MUST BE SOUGHT. WE HAVE LEARNED INFORMALLY
THAT GAMASY WILL GIVE SADAT A DRAFT LETTER FROM THE
PRESIDENT TO KING KHALID INDICATING A REQUIREMENT FOR
BETWEEN 450 MILLION AND 500 MILLION DOLLARS TO PAY
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FOR THIS EQUIPMENT AND ASKING SAG TO MAKE FUNDS AVAILABLE.
ALTHOUGH RELATIONS BETWEEN EGYPT AND SAUDI ARABIA ARE
AT THE MOMENT SLIGHTLY STRAINED, WE ASSUME THAT SADAT
WILL SEND THAT LETTER.

2. THIS LEAVES OPEN THE QUESTION OF HOW PAYMENTS WILL
IN FACT BE MADE. WE DOUBT THAT SAG, IF KING KHALID

AGREES TO PAY FOR THESE AIRCRAFT, WOULD BE WILLING MAKE FUNDS DIRECTLY AVAILABLE TO GOE LEST THESE BE DIVERTED FOR OTHER PURPOSES. MORE LIKELY, SAG WOULD WISH TO MAKE PAYMENTS DIRECTLY TO US. WE WONDER, HOWEVER, WHETHER THE CHOICE IS AS SIMPLE AS THE SUDANESE ARRANGEMENTS OR THE SO-CALLED C-130 FINANCING ARRANGEMENTS. AS INDICATED REF C, WE HERE HAVE NO KNOWLEDGE OF ANY AGREEMENT HAVING BEEN WORKED OUT DIRECTLY BETWEEN CAIRO AND JIDDA RE FINANCING LATEST INCREMENT OF FOURTEEN C-130'S FOR EGYPT. IF DEPT OR SECDEF HAVE DETAILS, WE WOULD APPRECIATE KNOWING THEM.

3. WE AGREE THAT EVERY EFFORT SHOULD BE MADE TO ASSURE GOE RETAINS PRIMARY RESPONSIBILITY FOR INSURING PAYMENTS ARE MADE ON TIMELY BASIS. IT SHOULD BE GOE'S RESPONSIBILITY, IN FIRST INSTANCE, TO REMIND SAG (OR OTHER DONORS) OF DUE DATES AND AMOUNTS TO BE PAID. BUT IT IS NOT AT ALL CERTAIN THAT THIS SYSTEM WILL WORK. GOE LACKS THE CLOUT TO PERSUADE SAG TO PAY ON TIME AND SAUDIS HAVE LONG HAD CAVALIER APPROACH TO RESPECTING THE DUE DATES FOR PAYMENTS. HENCE, WE ARE CONCERNED THAT IF MATTER IS LEFT SOLELY TO GOE, WE WILL FIND PAYMENTS MAY BE DELAYED FOR EXTENDED PERIODS TO DETRIMENT OF OVER-ALL PROGRAM.

4. IN CIRCUMSTANCES, IT SEEMS TO US THAT IN ADDITION TO PRESSING GOE TO ASSUME PRIMARY RESPONSIBILITY THAT PAYMENTS ARE MADE ON TIME, WE SHOULD CARRY ON PARALLEL LOW-CONFIDENTIAL

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KEY EFFORT WITH SAG OR OTHER DONOR COUNTRY. ONCE GOE INFORMS US THAT IT HAS WORKED OUT AGREEMENT WITH SAG, WE SHOULD OBTAIN GOE'S APPROVAL ALSO TO DISCUSS THE MATTER WITH THE APPROPRIATE SAUDI AUTHORITIES AND GIVE THE LATTER A COPY OF THE SCHEDULE OF PAYMENTS. WE COULD THEN, IF AT ANY TIME IN THE FUTURE GOE EFFORTS WITH SAG TO MAKE PROMPT PAYMENTS SEEM TO BE FALTERING, MAKE A SUPPORTIVE APPROACH DIRECTLY TO THE SAUDIS TO REMIND THEM OF OVERDUE PAYMENTS. THIS, IT STRIKES US, IS LIKELY TO BE A GREAT DEAL MORE EFFECTIVE THAN DEPENDING SOLELY ON GOE DEMARCHE.

5. WE WOULD WELCOME EMBASSY JIDDA'S OBSERVATIONS ON SUCH A TWO-TRACK PROCEDURE. EILTS

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